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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Russian President Vladimir Putin (U)

PARTICIPANTS: The President
Andrew Card, Chief of Staff
Condoleezza Rice, Assistant to the President for National Security Affairs
Alexander Vershbow, U.S. Ambassador to the Russian Federation
Daniel Fried, Special Assistant to the President and Senior Director for European and Eurasian Affairs, NSC Staff, Notetaker Interpreter
Vladimir Putin, President
Vladimir Rushaylo, Secretary of Security Council, Notetaker
Igor Ivanov, Minister of Foreign Affairs
Sergey Prikhodko, Deputy Head of the Presidential Administration Interpreter

DATE, TIME July 22, 2001, 1:30 - 2:15 p.m.
AND PLACE: Genoa, Italy

The President: President Putin and I had yet another good discussion. I want to assure everybody around this table about the answer to the question put to me in Slovenia about trust. I feel more strongly than ever about that. President Putin and I have a dialogue that very few American and Russian leaders have had in the past. If I so decide, I will speak to the American people about what we discussed here, too. (U)

We discussed security issues and a number of other issues as well. One was commercial relations. I previewed the Evans and O'Neill visit to Moscow. We are planning experts' talks and not just commercial experts. I think our media representatives should help address the issue of entrepreneurs in the media.

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You are free to choose, but we could facilitate this. I appreciated your answer before in Ljubljana on the media, and a dialogue along these lines could help explore some of the issues you raised about the media. Now I'd like to send you some from the media, like the "New York Times." It would be good for them to deal with you. (S)

President Putin: I'd close them right away. I've got experience along these lines. (S)

The President: On the Tobin case, I urge you to resolve this case. That would be good. (S)

President Putin: I agree with the positive evaluation that President Bush has made just now. We are creating a very good political basis for our relations across the entire gamut of issues. We didn't shirk any problems, including those of international security. On this, we have decided to consider this matter in its entirety, including offensive and defensive, because they are, in fact, linked. (S)

Second, I drew the President's attention to the possibility of good contacts between the Parliaments of our two countries. I urged support for this project. Our parliamentarians could visit Moscow and Washington. This could create tangible benefits in morale. (S)

Another issue is our economic ties. The United States is a leading investor for Russia, but the level of our trade is far from the capabilities of our countries. Our two-way trade is at \$10 billion. Russia's two-way trade with Italy is \$9 billion. And how can you compare the United States with Italy? I acknowledge that we in Russia have failed to create the proper conditions for economic growth, and you are aware of this. (S)

But we are doing so now. This year we established the lowest income tax rate in Europe and now we are passing an income tax rate for legal persons at the lowest rate in Europe of 24 percent. Through other laws now in Parliament or passing through Parliament, we are creating conditions for business. We look forward to the visits of your Secretaries to Moscow and to Dr. Rice's visit. (S)

We are preparing two groups in the Ministry of Foreign Affairs and Defense to discuss strategic security and stability. Our groups already exist, and look forward to the visit of Dr. Rice,

but we could devise other channels for our cooperation in this area. (S)

We also discussed with the President the possibility of Russia's accession to the WTO. We need a political impulse of support to reach the representative of the United States negotiating with us. At Ljubljana, I said that the Europeans were difficult, but the Americans were supportive of our accession efforts. But as soon as I said that, the situation changed drastically! It's true! As soon as I said it. I think this is a detail, and that we can rectify this situation quickly. (S)

I was pleased by and accept the invitation to visit the United States. This will be my first visit to the United States and will be important for me personally and for our overall relations. It will be a pleasure for me to visit you at your Ranch. This will provide an impulse for our officials. My invitation to you stands. (S)

The President: I think, and I want the people at the table to hear this, I think that we are watching history being made. If you think positively, this is a historic moment. This is the only reason to run for office, to make history, to change things. You will be able to tell your grandchildren that you were at the table when we made this breakthrough on the road to a new security for the world. I don't know whether this will happen. But I know I know that this airing of views is not something I can do with every leader in the world. (S)

Let me thank you for your cooperation on Nagorno-Karabakh, and we need to keep working at this together. One area of disagreement is Iraq. We must do a better job on this. Saddam Hussein is a "bad guy," as we say in America. The State Department should keep working with your people. (S)

I appreciate your comments about Macedonia yesterday. He said that there should be no reordering of borders there. We agree. I should say that we don't tilt toward anyone there. Anybody who thinks we do is just wrong. There are some that say we are tilting toward the Albanian insurgents. That is not our intention. We cut off fundraising for extremists from people in the United States, and we, our people, do fund some extremist groups, unfortunately. Has the EU followed us in this? (S)

Dr. Rice: Yes. (U)

The President: I told President Putin that I will be in Kosovo on Tuesday. I'll be there to thank our troops and there is no other signal meant by this. We went in together and will leave when the region is secure. We want to foster cooperation and work to build up institutions to replace our military. We must work to strengthen civil and political institutions and build the civic basis for eventually, and I emphasize eventually, preparing people to govern themselves within the borders now existing. (S)

President Putin: I have a few comments on what you said. On regional issues, our views are more similar. This is true especially in the Near East. The question is objectives and the means to obtain these objectives, so it's about the means, really. (S)

On Iraq, our objective is to keep nuclear weapons out of Iraq and verify that it stays out. Our Foreign Ministry proposed an option to demand that Saddam accept monitors in exchange for sanctions being removed. We want to assure the removal of weapons of mass destruction. Now this is not a course accepted by Iraq. Their Vice President Ramadan visited Russia and asked that we not pursue this approach. Why? Because they like external pressure. This helps their internal situation. It helps them explain to their people why they are suffering, and this works, especially when they are being bombed. (S)

Second, I am obliged to say, and the President knows this, that we have certain economic interests. Iraq owes us \$8 billion and is not paying, and in terms of lost commercial opportunities we have lost an additional tens of billions of dollars. Russia is not such a rich country that we can ignore this. Further, the Paris Club demands its money from us. So Russia cannot get the money owed us, and the rich countries in the Paris Club get the money we owe them. We are not so rich. Are we to deprive our people? We are ready to work, though, to bring our positions closer. (S)

On Iran, the President did not mention this, but we did discuss it last time. Let me say that Italy, or an Italian company, has signed a contract worth \$1 billion. We must look at the whole issue, and we are prepared to coordinate our actions. (S)

On Macedonia, the decisions were taken without our participation, so Russia is not bound by developments there. We will do nothing to disrupt the process. Yesterday, President Bush and I shared our concerns, and I responded positively to

what he said. Russia is not involved in the decision-making mechanism. Maybe this is good; the less responsible we are for this, the better! But the region is close by to Russia. We will be present. All the people in the region will look to Moscow as things develop. Our culture and our language link us.

(S)

The fact of our not being responsible for things there puts us in an interesting position for the future. We will try to help and render moral support. Yesterday, I said that we should not create the illusion that those who create political problems and try to divide borders will succeed. Doing this would create a catastrophe for Europe. How many times could you divide Spain or France? In Eastern Europe peoples are mixed together. Changing borders would be a terrible catastrophe. I support an international conference on the Balkans to reiterate the inviolability of existing borders. If you approve, and we don't have to announce this right now, we could also discuss this through our foreign ministries. (S)

The President: Today, I will announce Dr. Rice's visit to establish a timetable for future dialogue on security issues. We have to give the press something to chew on. (S)

I do want Russia in the WTO. I want to discuss this with my trade minister, Mr. Zoellick. I need to fully understand the details before I undermine my trade minister. So, please don't undermine him yourselves by saying something now. There is nothing worse for a minister than his boss communicating with him through the media. I'll speak to him. I also suggest that you raise this with Paul O'Neill in Moscow. (S)

I have another point. We discussed a lot of environmental issues at the Summit here. It is a sort of environmental religion; I don't know how else to say it. What President Putin said was a breath of fresh air because he cited science. He said that we could adhere to Kyoto all we wanted, but it wouldn't solve the environmental problem. I was grateful to hear somebody say something real. You should be proud of your President. He pulled no punches and advanced Russia's standing in the G-8. Now, we're off to the Press Conference. (S)

Mr. Prikhodko: In your meetings in Ljubljana, you decided to give an impulse to contacts between our businesses. Our experts have discussed this, and we will issue a press statement about this today, if you approve, Mr. President. (S)

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6

(President Putin reviews and approves the Russian language text of the joint economic statement. The two leaders then exchange gifts.)

-- End of Conversation --

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